

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Avista Corporation)	
Bonneville Power Administration)	
Idaho Power Company)	
Montana Power Company)	
Nevada Power Company)	Docket No. RT01-35-000
PacifiCorp)	
Portland General Electric Company)	
Puget Sound Energy, Inc.)	
Sierra Pacific Power Company)	

STATUS REPORT CONCERNING DEVELOPMENT OF RTO WEST

On April 26, 2001, the Federal Energy Regulatory Commission (the “Commission” or “FERC”) directed RTO West Applicants to file a Status Report with the Commission no later than December 1, 2001. This Status Report was to include (1) a framework for formation of a West-wide regional transmission organization (“RTO”); (2) resolution of seams issues; (3) a timetable for achieving a West-wide RTO end state; and (4) plans for participation in RTO West by Canadian entities. Avista Corp., 95 Fed. Energy Reg. Comm’n Rep. ¶ 61,114, at 61,343 (2001). In response to that order, Avista Corporation, British Columbia Hydro and Power Authority (“BC Hydro”), Bonneville Power Administration (“BPA”), Idaho Power Company, Montana Power Company, PacifiCorp and Puget Sound Energy, Inc. submit this Status Report.

I.

FRAMEWORK FOR FORMATION OF RTO WEST

AND A WEST-WIDE MARKET¹

We are implementing RTO West as one of three RTOs within the Western Interconnection, consistent with the attached Western Market Vision (the “Vision Statement”). (See Exhibit A.) The Vision Statement reflects the framework for a seamless West-wide market and provides a guide for further progress on seams issues.

The goal reflected in the Vision Statement is to create a single market for transmission services, featuring “one-stop shopping” for transmission customers throughout the Western Interconnection. According to the Vision Statement, transactions involving multiple RTOs will be accomplished through a single interface point (“OASIS”); the three RTOs will share services to the extent feasible; and common operational systems such as backup control centers will be used to the extent reliability and security are not jeopardized.

The Vision Statement contemplates that the three RTOs will utilize common reliability and interconnection standards and practices. Common dispute resolution procedures will be developed for interregional and regional disputes. Scheduling practices will be common to all three RTOs. Common communication protocols and data standards will be developed. Compatible congestion management models will be developed with seamless market operation.

RTO formation in the Western Interconnection, and the accompanying development of a single market, will be most expeditiously achieved with three RTOs. The Northwest Congressional Energy Caucus and BPA’s public agency customers have also expressed grave

¹ During “RTO Week” and thereafter, the Commission has acknowledged that regional RTOs within the Western Interconnection may be workable. Consequently, this report addresses the Filing Utilities’ efforts to form RTO West and create a West-wide market consistent with the Vision Statement.

concerns about BPA's participation in an RTO different in scope from that approved by FERC for RTO West. Approximately 75 utilities in the region have stressed that the single market end state may be arrived at only through multiple RTOs in the foreseeable future.² Thus the three RTO approach builds upon the strong political preference for an RTO encompassing the geographic scope approved in the Commission's April 26, 2001 order for RTO West. The complexity and size of the Western Interconnection also favor three RTOs to start to assure reliable, manageable operations and security coordination. In the future, the initial three RTOs may be consolidated into fewer RTOs.

II.

RESOLUTION OF SEAMS ISSUES

The California ISO, WestConnect, and RTO West are working together to implement the Vision Statement. To accomplish this, they have established a joint committee to negotiate and make recommendations to implement the single market vision contained within the Vision Statement. The committee is known as the Seams Steering Group—Western Interconnection

² Although Northwest Requirements Utilities ("NRU") members do not embrace the concept of a single West-wide RTO, they nonetheless have worked to develop RTO West. In comments submitted to RTO West on its draft status report, NRU members stressed that the "single market end-state" may be arrived at only by multiple RTOs in the foreseeable future, as the "single market" Vision Statement correctly reflects. The comments of NRU were endorsed by Pacific Northwest Generating Cooperative.

(“Steering Group”).³ Currently, the Steering Group works directly with an established committee of experts known as the Western Market Interface Committee (“WMIC”). In tandem, these two groups work to resolve interregional seams issues to create the seamless market envisioned in the Vision Statement. WMIC develops and analyzes alternative seams solutions; the Steering Group proposes and advocates policy level seams solutions; and the RTOs make seams decisions to implement these technical and policy recommendations.

The Steering Group and its subcommittees are making progress in many areas of seams resolution identified in the Vision Statement, including congestion management, price reciprocity and export fees, operation of phase shifters under an RTO environment, coordination of planned transmission outages, and coordination of scheduling timelines. These activities are more fully described in Exhibit B. As we move forward, the Steering Group will need to evolve to realize and maintain the single market vision. The authority required of the Steering Committee to realize the single Market Vision is under discussion among the RTOs.

III.

TIMETABLE FOR ACHIEVING A WEST-WIDE MARKET

The Vision Statement reflects the intended timetable for achieving a seamless West-wide market. (Exhibit A at 7.) We are not proposing a timetable for achieving a West-wide RTO.

³ Because not all utilities engaged in RTO development in the West are represented on the Steering Group, the Steering Group’s recommendations are taken back to the principals forming each RTO for action. However, prior to RTO West’s taking action on the Steering Group’s recommendations, final proposals will be shared with the Regional Representatives Group.

IV.

CANADIAN PARTICIPATION IN RTO WEST

A. BC Hydro Participation as a Filing Utility

In July 2001, BC Hydro became an RTO West filing utility participating in the development of the RTO West Stage 2 filing and joined the Regional Representatives Group in that capacity. BC Hydro is a provincial Crown corporation that serves approximately 1.5 million customers and operates 11,000 miles of transmission lines. Although BC Hydro is not subject to the jurisdiction of the Commission, BC Hydro is participating as a filing utility in part so that RTO West's market design can be developed and applied in both the RTO West geographic scope in the United States and British Columbia. Representatives of BC Hydro have participated extensively in the work of all RTO work groups, including congestion management, pricing, planning, seams, and liability.

B. RTO West/Canadian Entities Relationship

The filing utilities and Canadian entities are developing the framework for an operating structure that provides for seamless integration of wholesale transmission services in British Columbia and Alberta, Canada with the rest of the RTO West transmission services while respecting Canadian sovereignty and appropriate regulatory oversight of Canadian facilities.

Canadian entities could participate in RTO West by forming an independent grid organization ("IGO") within a province. The IGO must meet the independence requirements established by RTO West and the Commission in Order 2000. The IGO will also be subject to appropriate regulatory oversight within Canada. It will have responsibility to the appropriate regulators within Canada for the tariff, ratemaking, and reliability of the grid, in accordance with rules and business practices developed with RTO West. At the same time, it will sign a detailed

contract with RTO West, describing its functions and responsibilities regarding the implementation of the RTO-wide tariffs.

C. Status Report on British Columbia Participation in RTO West

The framework for British Columbia's participation in RTO West was documented in the Stage 1 filing as Attachment H and is included for reference here. (See Exhibit C.) This proposal included creating an independent grid organization, BC IGO. BC Hydro and UtiliCorp Networks Canada would transfer operational control over their transmission systems to the BC IGO under Transmission Operating Agreements ("TOA") as similar as possible to RTO West's TOA. The framework contemplates the development of a contractual relationship between RTO West and BC IGO that is intended to further a seamless wholesale transmission market in the West. The principles of that contractual relationship include the development of substantially identical wholesale transmission tariffs that would be applicable to the transmission systems in the United States and British Columbia (subject to regulatory approval). In addition, a single set of business practices, a single regional ancillary services market, a single internet Web site for customers (including OASIS), a single congestion management system, and a coordinated planning process would be applicable throughout the entire RTO West region.

In 2000, technical representatives from the filing utilities and BC Hydro prepared white papers to better define how the concepts outlined in this framework could be implemented within the context of RTO West's single control area model. Work progresses on the translation of the model and the work of the technical group into a legal framework, including a template for an agreement governing the relationship between RTO West and the BC IGO. More work is required, and continues, at both the technical and legal level, and policy review remains

necessary in both British Columbia and the United States. However, a significant amount of work has been done towards translating the seamless market vision into a workable framework.

BC Hydro and the other filing utilities are working as expeditiously as possible to develop a proposal to submit to policy makers and regulators in both countries. The implementation of the model is an important element of the Vision Statement.

D. Status Report on Alberta Participation in RTO West

The Province of Alberta is evaluating whether it should establish a seams relationship with RTO West or whether it should become a participant in RTO West within the framework described for Canadian participation, as set forth in Section IV(B) above.

Over the last few months, representatives of the filing utilities have been meeting with representatives from the Alberta Department of Energy, ESBI Alberta Ltd. (Transmission Administrator), and the Power Pool of Alberta (collectively, “Alberta”). Alberta and RTO West share a vision of an open, fair, and efficient competitive market such as that set forth in the Vision Statement. There has been significant progress in developing a common understanding of both entities’ business requirements. Alberta and RTO West are also preparing a white paper that will describe, both structurally and operationally, how Alberta’s energy and ancillary services markets, the transmission system, market monitoring, and associated regulatory framework could be included within RTO West.

Alberta is continuing to participate in the RTO West collaborative process as the Canadian representative to the Regional Representatives Group.⁴ Alberta and RTO West

⁴ Since BC Hydro has become an RTO West Filing Utility with a Filing Utility seat on the Regional Representatives Group, Alberta now represents other Canadian stakeholders in that group.

representatives will continue to work together, either to resolve Alberta's participation in RTO West or to negotiate a seams agreement.

Dated this 3rd day of December, 2001.

Respectfully submitted on behalf of the following:

AVISTA CORPORATION

By: Randall O. Cloward
Director, Transmission Operations

THE MONTANA POWER COMPANY

By: Ted D. Williams
Director, Transmission Marketing

BONNEVILLE

POWERADMINISTRATION

By: Mark W. Maher
Senior Vice President
Transmission Business Line

PACIFICORP

By: John Carr
Managing Director, Major Projects

IDAHO POWER COMPANY

By: James L. Baggs
General Manager, Grid Operations and
Planning

PUGET SOUND ENERGY, INC.

By: Wayman L. Robinett
Director, Wholesale Transmission

BRITISH COLUMBIA HYDRO AND
POWER AUTHORITY

By: Yakout Mansour
Vice President, Grid Operation and
Interutility Affairs

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing Status Report Concerning Development of RTO West upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Portland, Oregon this 3rd day of December, 2001.

/s/ Pamela L. Jacklin
Pamela L. Jacklin
Of Attorneys for PacifiCorp and, for the
purposes of this filing only, for RTO West

EXHIBIT A

Western Market Vision

- One Seamless West-Wide Market
 - Common Business Practices
 - No Trade Barriers
 - Minimum Transaction Costs
- Three RTOs - a Necessary First Step
 - Retain Regional Accountability for Capital Expenditures, Reliability and Planning
 - Retain Regional Operating Knowledge
 - Share Services
 - Capture Symbiotic Benefits (e.g., act as back-up control center for each other)
- Potential for Fewer RTOs in the Future

Western Market Vision

Shared Services

- Back-Up Control Centers
- Employee Training
- Pooled Human Resources
 - Purchasing
 - Settlements
- Enterprise Software
- IT Systems

One-Stop Shopping

- OASIS
- Ancillary Services
- Scheduling
- Market Monitoring
- Interregional Planning
- Interregional Dispute Resolution

Regional Accountability

- Selection of Boards of Directors
- Provider of Transmission Services
 - Control Area Operation
 - Security Coordinator
 - Maintenance
- Intraregional Dispute Resolution
- Outage Coordination
- Capital Expenditures
- Regional Planning
- FERC Compliance

Standards and Practices

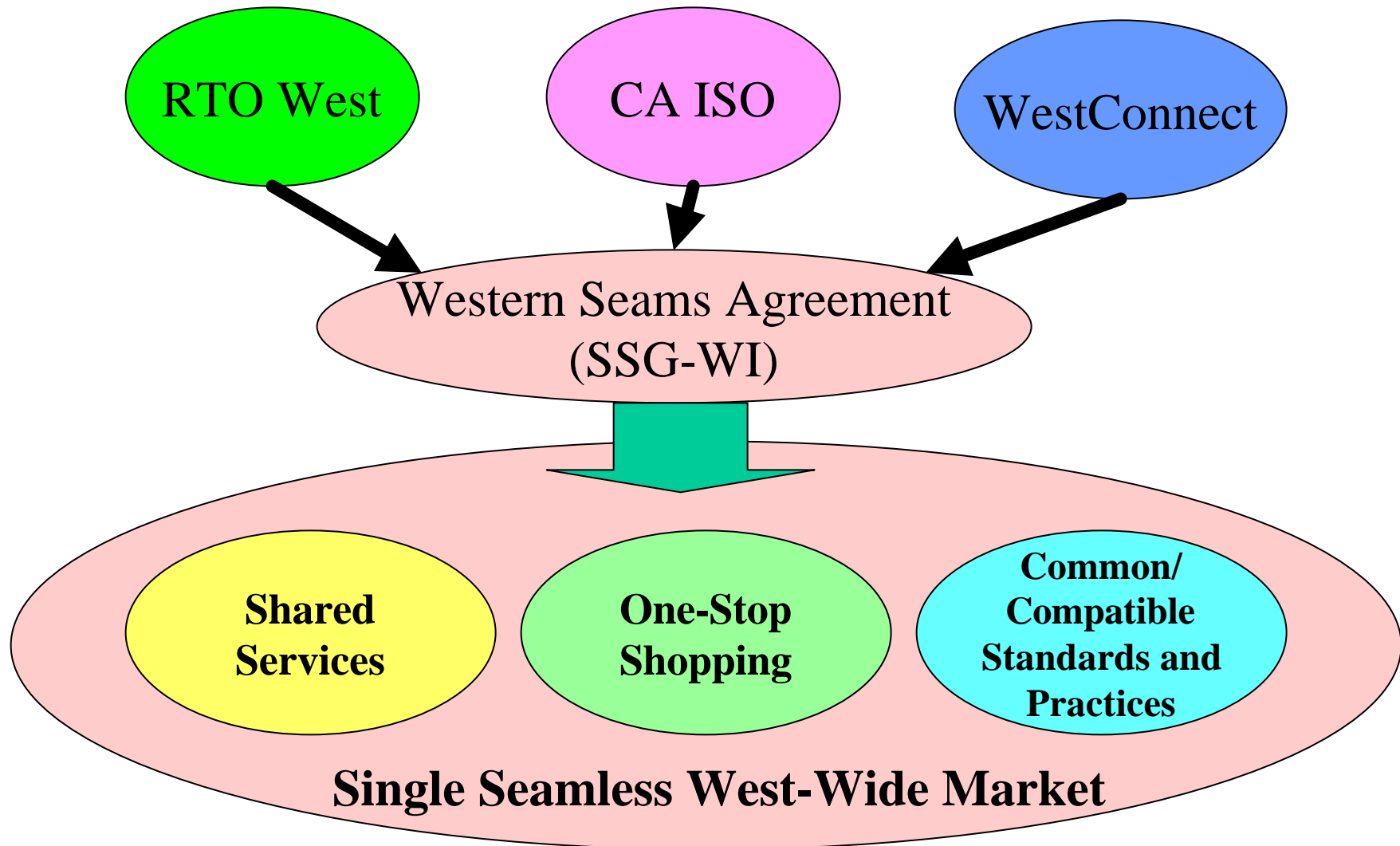
Common

- Transmission Products
- Interconnection Standards
 - Reliability Standards
 - ADR
- Protocols & Data Standards
 - Scheduling Practices
 - Pricing
- Liability Protection

Compatible

- Congestion Management
- Information Systems
- Tariff Design

The Western Market



Why One Market Instead of Three?

- Efficient Markets Reduce Prices
- One-Stop Shopping (Common OASIS)
- Compatible Products
- Standard Business Practices
- More Efficient Use of Transmission System Through Consistent Practices
- Meet FERC's Single Market Expectations
- Meet the Needs of Commerce Across the West

Why Three RTOs Instead of One?

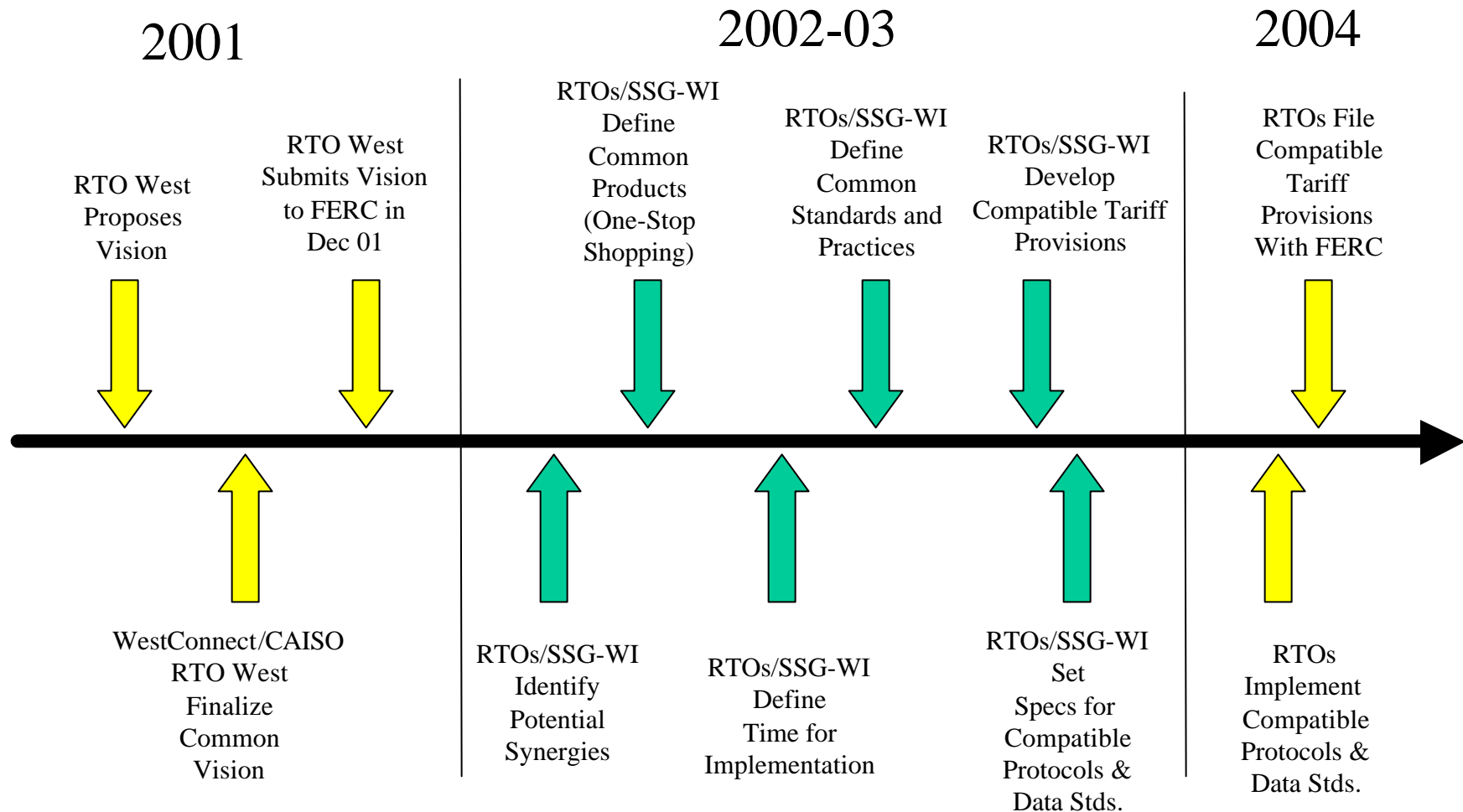
- The complexity and size of the Western Interconnection favors three RTOs to assure reliable, manageable operations and security coordination
 - Diverse load structures
 - Dispersed load centers
 - Differing seasonal load characteristics
 - Regionally* diverse generation types (hydro/thermal-based)

* Region - Refers to the major subareas of the Western Interconnection, such as the RTO West area, the WestConnect area, and the California ISO area.

Why Three RTOs Instead of One?

- **Individual Accountability IS Critical to Each RTO**
 - Capital expenditures, reliability, and planning are primarily regional concerns
 - Must consider issues specific to each region, *i.e.*, air quality, Endangered Species and fish concerns, compliance matters, etc.
- **Three RTOs Are Achievable in the Near Term**
 - Builds on strong political preference for three RTOs
 - Reduces operational, financial, and political risk
 - Integrating the Western market in steps is the fastest way for consumers to realize the benefits of wholesale deregulation

Timeline to Seamless West-Wide Market



Next Steps

- WestConnect, CA ISO, and RTO West finalize Western Market Vision
- Obtain support from Congressional Delegation, PUCs, Publics, and other Stakeholders
- Document the shared vision in a seams coordination agreement among the three RTOs
- RTO West includes documentation with December FERC filing
- Revisit roles and responsibilities of the reliability and market coordinating organizations throughout the West in view of formation of a West-wide market

EXHIBIT B

STATUS OF RESOLUTION OF SEAMS ISSUES

The RTO West Filing Utilities are resolving seams issues through participation in the RTOs’ Seams Steering Group—Western Interconnection (the “Steering Group”) and the Western Market Interface Committee (“WMIC”). A summary of the Seams Resolution Process and the status of those activities follow.

A. Western RTO Seams Resolution Process

A collaborative effort was established to address seams issues among the RTOs. This effort involves the Steering Group and the WMIC. Coordination among the RTOs involving the Steering Group, WMIC, and their work groups is outlined in the chart in Attachment A, “Current Seams Coordination Process.”

The Steering Group is composed of policy level representatives from the California ISO, WestConnect, and RTO West. Recommendations developed by the Steering Group are taken back to all the RTO West filing utilities for action. The Steering Group coordinates development and implementation of the Western Market Vision among the three Western RTOs and serves as the forum for developing and advocating recommended solutions to RTO seams issues for consideration and approval by each RTO.

Three work groups currently report to the Steering Group. The Price Reciprocity Work Group is analyzing reciprocal treatment of through and out charges; the Common Systems Interface Committee is analyzing system implementation issues; and the Market Monitoring Work Group is developing a market monitoring plan.

Additionally, WMIC, which is sponsored by the Western Systems Coordinating Council (the “WSCC”) and the three RTOs, performs technical analysis and develops options and recommendations for various seams issues. These options and recommendations are sent to the Steering Group for consideration by the RTOs. Several WMIC work groups are now active, including the Scheduling Timelines Work Group, the Congestion Management/FTR Work Group, the Market Rules Alignment Work Group, the Planned Outage Coordination Work Group and the Phase Shifter Work Group.

B. Summary of Current Work Group Activities

The work groups of the Steering Group and WMIC are addressing seams issues among RTO West, California ISO, and WestConnect, as described below:

(1) Congestion Management

The goal of the Congestion Management/FTR Work Group is to provide information that will help the RTOs answer the questions of whether the different congestion models are compatible or whether changes need to be made in one or more of the models in order for congestion to be efficiently managed.

(2) Price Reciprocity

The Price Reciprocity Work Group is addressing the resolution of through and out charges. Currently, three options are being considered:

- Reciprocal waiver of through and out charges;
- Transfer payments between RTOs; and
- A West-wide wheeling charge.

(3) Phase Shifter Operation

Phase shifters are installed within the Western Interconnection to control unscheduled power flow. The phase shifters are currently owned by several utilities and are located within multiple proposed RTOs. A FERC-approved procedure is now in place within WSCC to use phase shifters to control loopflow. With the advent of RTOs and increased involvement of the marketplace in addressing transmission congestion, the operation of phase shifters needs to be reviewed and possibly modified to establish a market driven approach common to all RTOs.

The work group's objective is to develop a common phase shifter operating methodology for the Western Interconnection in an RTO environment. The work group issued a Phase I report, which is currently under review by the RTOs for integration into their approaches for managing transmission congestion.

(4) Coordination of Planned Outages

WMIC's Planned Outage Coordination Work Group is addressing planned outage seams issues. The work group reviewed the proposed outage coordination procedures of each Western RTO and submitted the following recommendations to the three RTOs:

- Create a high-level annual planning process for inter-seams outage issues;
- Develop a common date for quarterly updates of the transmission outage plans;
- Integrate into the outage planning process a public process for market participant input; and
- Coordinate the timing of short-term outage planning.

(5) Coordination of Scheduling Timeline Deadlines

The WMIC Scheduling Timelines Work Group is developing protocols for scheduling among the RTOs, as each RTO could have different scheduling procedures. This work group reviewed the proposed scheduling timelines of the three RTOs and identified scheduling differences. Recommendations were sent to the RTOs to align differences in the originally proposed scheduling deadlines.

(6) Common OASIS/Scheduling Point

The Steering Group's Common Systems Interface Committee ("CSIC") is examining processes and systems that will be employed by the three RTOs to minimize seams issues. CSIC is monitoring FERC and NERC OASIS Phase II activities and developing a proposal that would be applied to the initial RTO operation. The proposal is centered on development of a single Web site to provide market participants with a common entry to the three OASIS sites of the RTOs.

(7) RTO Backup Control Centers

CSIC is developing backup control center requirements through the work of the Backup Control Center Work Group. From these requirements, the number, possible locations, staffing levels and responsibilities of backup control centers will be developed.

(8) Common RTO Data and Communication Protocols

The Protocol Work Group under CSIC is developing communication protocols for RTO interfaces. Protocols under development include bandwidth requirements, availability, and security and confidentiality requirements.

(9) RTO Market Monitoring

The Steering Group has organized a Market Monitoring Work Group. This work group includes representatives of the three RTOs and is open to stakeholder participation. The work group is developing a market monitoring plan for the Western Interconnection. A regional market monitoring workshop, organized by the Steering Group, was held on November 16, 2001 in San Francisco. The workshop was well attended by representatives from throughout the industry, including FERC and state representatives. In addition to discussing current market monitoring initiatives in California and PJM, options for implementing an effective market monitoring program in the West were explored.

(10) Interregional Planning

The Steering Group has established a Planning Work Group to address interregional planning issues. RTO West and the other Western RTOs are in the process of selecting representatives for this work group. The work group will consider, among other things, how interregional or West-wide planning can best be accomplished by the three RTOs.

CURRENT SEAMS COORDINATION PROCESS

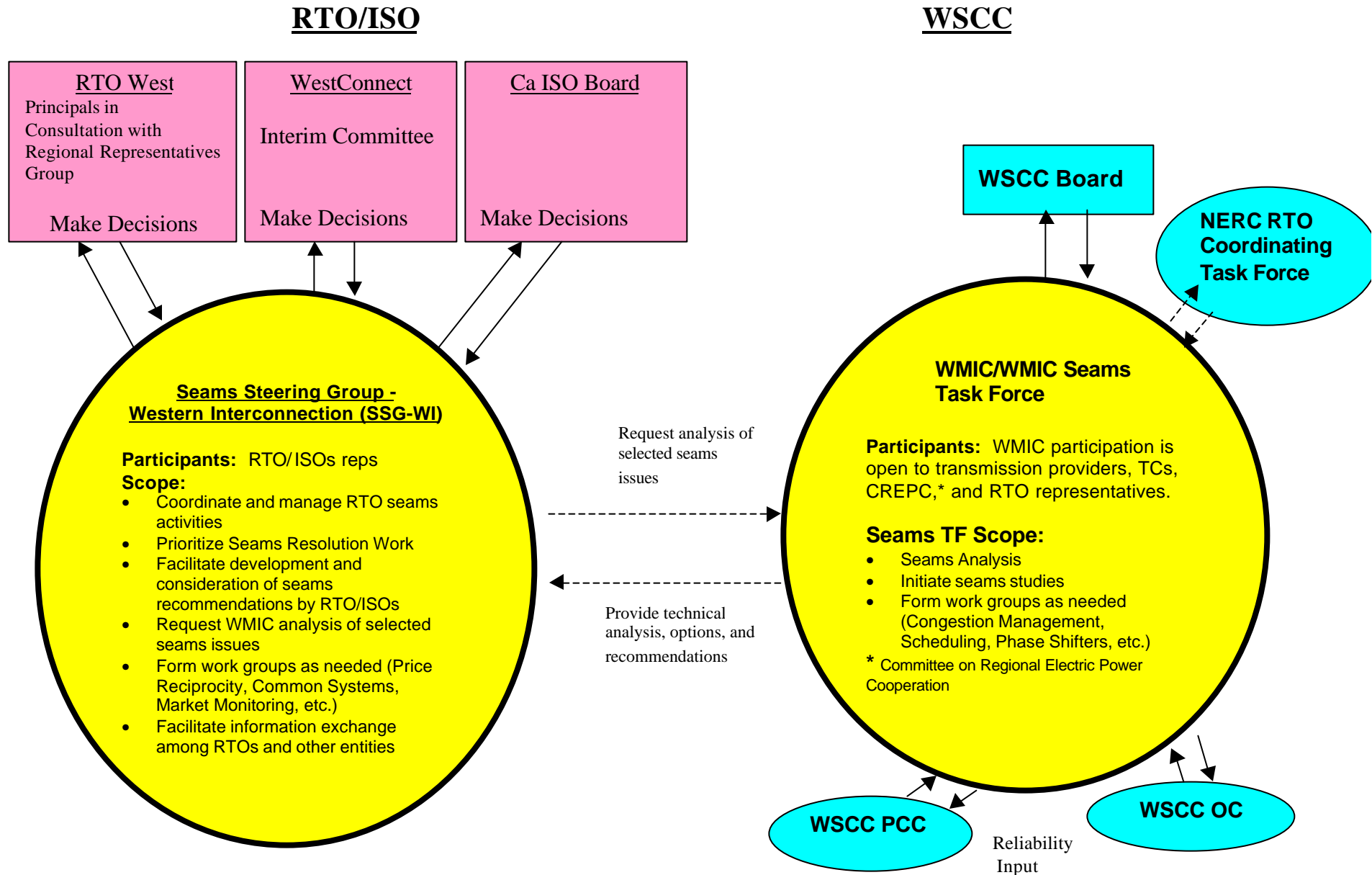


EXHIBIT C

ATTACHMENT H

DESCRIPTION OF BRITISH COLUMBIA PARTICIPATION

The British Columbia Hydro and Power Authority (“BC Hydro”) and West Kootenay Power Ltd. (“WKP”) have actively participated in the RTO West negotiations.¹ The Filing Utilities, BC Hydro and WKP have reached consensus on a framework that would provide consistent RTO transmission service over the RTO West transmission system and the transmission system in British Columbia, while recognizing Canadian sovereignty and the differing regulatory structures in Canada and the United States. This framework is a major step towards achieving a “natural transmission region” in the Pacific Northwest that does not stop at the U.S.-Canada border.²

The basic elements of this framework, developed as a model by the Adjunct Committee Technical Work Group,³ are as follows:

- (1) An independent grid operator would be formed in British Columbia (“BC IGO”), that would meet the independence standards of Order No. 2000. The BC IGO would be a public utility regulated by the British Columbia Utilities Commission (“BCUC”);
- (2) RTO West and BC IGO would act in a coordinated fashion to provide RTO service to the Pacific Northwest region, including British Columbia;
- (3) BC Hydro and WKP would transfer operational control over their transmission systems to BC IGO, under Transmission Operating Agreements (“TOA”) that

¹ EAL (the Alberta Transmission Administrator) and the Alberta Power Pool also participated in these discussions.

² The Commission has recognized that its transmission jurisdiction under the Federal Power Act stops at the international border. *See* Order No. 2000 at 31,085.

³ This Group included U.S. and Canadian representatives from the Implementation, Ancillary Services and Congestion Management Work Groups of the RTO West collaboration process.

parallel the TOA between RTO West and its U.S. participating transmission owners;

- (4) The BC IGO, as a regulated utility in British Columbia, would ultimately be accountable to the BCUC for tariff administration and the reliability of the transmission grid within British Columbia, consistent with principles of Canadian sovereignty and Provincial regulatory requirements. The functional relationship between BC IGO and RTO West would be defined in an Operating Facilities and Services Agreement (“OFSA”) to be negotiated between the two entities and filed with the Commission and the BCUC. It is contemplated that the OFSA would adopt the following principles intended to further seamless wholesale transmission services in the region:
- (A) RTO West and BC IGO would file for regulatory approvals of a single, uniform wholesale transmission tariff covering both their transmission systems;⁴
 - (B) A single set of business practices would be applied on a regional basis;
 - (C) A single regional Ancillary Services market would be developed;
 - (D) One Internet web-site for transmission capacity reservations would be used in the region, to be operated by RTO West;
 - (E) There would be one Security Coordinator for the region; and
 - (F) A single regional Congestion Management Mechanism would be employed;

⁴RTO West would file the tariff with the Commission, and BC IGO would file the tariff with the BCUC.

- (5) RTO West and BC IGO will together perform a control area operator function for the Pacific Northwest, including British Columbia. BC IGO will provide control area operator functions within British Columbia. (This approach will be described in greater detail in documents to be submitted as part of the filing utilities' Stage 2 submission.) Inadvertent power flow with neighboring control areas and RTOs would be handled by RTO West; and
- (6) Electronic links between RTO West and BC IGO will be established to communicate the real time status of the RTO West Operating Plan and to deploy resources through RTO West.

The Filing Utilities, BC Hydro and WKP believe that this framework for coordinating the functions of RTO West and BC IGO advances the Commission's concept of a "dotted line boundary at the international border" for purposes of RTO formation.⁵ The framework is designed to further the objective of seamless wholesale transmission services throughout the Pacific Northwest, and to ensure that the region encompassed by the RTO is of the broadest possible scope.

BC Hydro has represented to the Filing Utilities that BC IGO will be structured to meet the Commission's requirements in Order No. 2000 that such an entity be independent from control by any market participant, including participating transmission owners. The functions reserved for BC IGO within the RTO recognize Canadian sovereignty, regulatory and tax requirements, and are well within the parameters the Commission found acceptable in a U.S. context in *Commonwealth Edison Company, et al.*, 90 FERC & 61,192, *reh'g denied*, 91 FERC & 61,178 (2000).

The Filing Utilities, BC Hydro and WKP intend to work within this framework to negotiate definitive agreements and tariffs, and to resolve the other open issues between the U.S.

⁵Order No. 2000 at 31,085.

and British Columbia entities. If closure on these issues can be reached, the Filing Utilities, BC Hydro and WKP would seek to obtain all necessary approvals for these arrangements from the appropriate governmental and other authorities in their respective jurisdictions.